

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 03-206

DATE PREPARED: Sep 17, 2003

STATE AGENCY: Family and Social Services Administration

DATE RECEIVED: Sep 16, 2003

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Digest of Proposed Rule: The proposed amendment changes the Medicaid copayment for pharmacy services. Current copayment amounts are \$0.50 for generic drugs, \$0.50 for each compounded prescription, and \$3.00 for any brand name drug. The amended rule would require a uniform copayment of \$3.00 for each covered drug dispensed. \$3.00 is the maximum copayment allowed under federal rules.

Governmental Entities: *State Impact:* The impact of the proposed rule is estimated to be an annual reduction in Medicaid pharmacy expenditures of \$9 M. Reduced expenditures result because copayment amounts are deducted from payments due providers prior to remittance. The state's share of this reduction in expenditures is \$3.4 M. The rule is expected to be implemented in March of 2004, so FY 2004 savings would be expected to be about 25% of the annual amount, or \$0.85 M in state funds.

By federal rule, certain individuals or services are exempt from the copayment requirement. These exemptions include: (1) emergency services provided in a hospital or other setting equipped to furnish emergency care; (2) services for children less than 18 years of age; (3) services furnished to pregnant women that are related to pregnancy; (4) services furnished to individuals who are inpatients in hospitals, nursing homes, intermediate care facilities for the mentally retarded, or other medical institutions; (5) family planning services and supplies furnished to individuals of child-bearing age; and (6) health maintenance organization (HMO) pharmacy services. As a result of the exemptions, only 37% of all Medicaid drug claims require a copayment.

There are no unfunded mandates placed upon any state agency by this rule.

Local Impact: The local fiscal impact caused by this rule would be minimal, if any.

Regulated Entities: Pharmacies and pharmacists may be considered to be regulated entities, however, participation in the Medicaid program by providers is voluntary. The reduced expenditures in the Medicaid program are a result of deducting copayment amounts from payments due providers prior to remittance. The Office of Medicaid Policy and Planning (OMPP) reports that there are currently 1,318 pharmacies actively participating in the Medicaid program and an estimated 556,600 Medicaid recipients expected to receive pharmacy services in FY 2004. A federal requirement is that services may not be denied to any eligible individual on account of the individual's inability to pay the copayment amount. The provider is reimbursed the usual claim less the copayment, even when the individual cannot pay the copayment. Consequently, the Medicaid expenditure reduction of \$9 M is composed of some combination of increased copayments by

Medicaid recipients and reduced reimbursements to providers resulting from copayments not paid.

Information Sources: 405 IAC5-24-7; Maureen Bartolo, OMPP, 232-1165.